

NATIONAL TREASURY

NO. 4198

14 December 2023

**LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003 -
AMENDMENTS TO REGULATIONS REGARDING SUPPLY CHAIN MANAGEMENT**

The Minister of Finance has, acting with concurrence of the Minister of Cooperative Governance and Traditional Affairs, in terms of section 168(1) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), made amendments to the Regulations published under General Notice No. 868 of 30 May 2005, as amended by Government Notice No. R.31 of 20 January 2017, regarding supply chain management, as set out in the Schedule.

SCHEDULE**Amendment of regulation 1 of the Regulations**

1. Regulation 1 of the Regulations is hereby amended by the deletion of the definition of “written or verbal quotations”.

Amendment of regulation 12 of the Regulations

2. Regulation 12 of the Regulations is hereby amended—
 - (a) by the deletion of paragraph (b) of subregulation (1);
 - (b) by the substitution for paragraphs (c) and (d) of subregulation (1) of the following paragraphs:
 - “(c) formal written price quotations for procurement of a transaction value over—
 - (i) R2000 up to R300 000 (VAT included), in the case of a local municipality;
 - (ii) R2000 up to R200 000 (VAT included), in the case of a district municipality;
 - (iii) R2000 up to R750 000 (VAT included), in the case of a metropolitan municipality; and
 - (d) a competitive bidding process for—
 - (i) procurement above a transaction value of R300 000 (VAT included), in the case of a local municipality;
 - (ii) procurement above a transaction value of R200 000 (VAT included), in the case of a district municipality; and
 - (iii) procurement above a transaction value of R750 000 (VAT included), in the case of a metropolitan municipality.”;
 - (c) by the deletion of subparagraph (i) of paragraph (b) of subregulation (2); and
 - (d) by the substitution for subparagraph (iii) of paragraph (b) of subregulation (2) of the following subparagraph:
 - “(iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than the competitive bidding thresholds specified in subregulation (1)(c)(i) to (iii).”.

Amendment of regulation 14 of the Regulations

3. Regulation 14 of the Regulations is hereby amended by the substitution for subparagraph (i) of paragraph (a) of subregulation (1) of the following subparagraph:
- “(i) to keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements of the municipality or municipal entity through formal written price quotations;”.

Deletion of regulation 16 of the Regulations

4. Regulation 16 is hereby deleted.

Amendment of regulation 18 of the Regulations

5. Regulation 18 of the Regulations is hereby amended—
- (a) by the substitution for the heading of the following heading:
“**Procedures for procuring goods or services through formal written price quotations**”;
- (b) by the substitution for the words preceding paragraph (a) of the following words:
“A supply chain management policy must determine the procedure for the procurement of goods or services through formal written formal written price quotations, and must stipulate—”; and
- (c) by the substitution for paragraph (c) and (d) of the following paragraphs:
“(c) that the accounting officer must take all reasonable steps to ensure that the procurement of goods and services through formal written price quotations is not abused;”; and
(d) that the accounting officer or chief financial officer must on a monthly basis be notified in writing of all formal written price quotations accepted by an official acting in terms of a subdelegation; and”.

Substitution of regulation 19 of the Regulations

6. Regulation 19 of the Regulations is hereby substituted for the following regulation:
“A supply chain management policy must specify—
- (a) that goods or services above a transaction value of—
(i) R300 000 (VAT included), in the case of a local municipality;
(ii) R200 000 (VAT included), in the case of a district municipality; and
(iii) R750 000 (VAT included), in the case of a metropolitan municipality,
may be procured by the municipality or municipal entity only through a competitive bidding process, subject to regulation 11(2); and
- (b) that no requirement for goods or services above an estimated transaction value of—
(i) R300 000 (VAT included), in the case of a local municipality;
(ii) R200 000 (VAT included), in the case of a district municipality; and
(iii) R750 000 (VAT included), in the case of a metropolitan municipality,
may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.”.

Amendment of regulation 35 of the Regulations

7. Regulation 35 of the regulations is hereby amended by the substitution for subregulations (1) and (2) of the following subregulations:

- “(1) A supply chain management policy may allow the accounting officer to procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurement is made.
- (2) A contract for the provision of consultancy services to a municipality or municipal entity must be procured through competitive bids if—
 - (a) the value of the contract exceeds—
 - (i) R300 000 (VAT included), in the case of a local municipality;
 - (ii) R200 000 (VAT included), in the case of a district municipality;
or
 - (iii) R750 000 (VAT included), in the case of a metropolitan municipality; or
 - (b) the period of the contract exceeds one year.”.

Commencement

8. These Regulations take effect on the date of publication in the *Gazette*.